



In the

RESERVE BANK OF INDIA
Foreign Exchange Department
Central Vista, Sector 17,
Chandigarh-160017

Present

Sh. Nirmal Chand
Regional Director

Date: November 09, 2017
CA No CHA 11/2017

In the matter of

Start Up Farms IT Pvt. Ltd.
Plot No 6, Rajiv Gandhi Technology Park
Chandigarh - 160 101

(Applicant)

In exercise of the powers conferred under section 15(1) of the Foreign Exchange Management Act, 1999 and the Regulations/Rules/Notifications/Orders made there under, I pass the following

Order

The applicant has filed a compounding application dated October 04, 2017 (received at the Reserve Bank on October 09, 2017) for compounding of contraventions of the provisions of the Foreign Exchange Management Act, 1999 (The FEMA) and the regulations issued there under. The contraventions sought to be compounded pertain to (i) delay in submission of FC-GPR to the Reserve Bank after issue of shares and (ii) delay in issuance of shares which are in contravention of Para 9(1) (B) and Para 8 respectively of Schedule 1 to Foreign Exchange Management (Transfer or issue of Security by a person Resident outside India) Regulation, 2000 notified vide Notification No. 20/ 2000 RB dated May 3, 2000 and as amended from time to time(hereinafter referred to as Notification No. FEMA 20/2000-RB).

2. The relevant facts of the case are as follows:



The Applicant Company was originally incorporated and registered under the Companies Act, 1956 as Virsa Systems Pvt. Ltd. on July 06, 2004, which was changed and registered as Start Up Farms IT Pvt. Ltd. on October 28, 2009. The company is a private Limited company engaged in the business of software, development and production of computer software, computer graphics, computer aided designing and analysis, etc.

3. The applicant company issued shares for the undermentioned amounts/remittances and reported the same to RBI with delay as under:

S N	Total value of shares	Shares Issued On	Due date for reporting to RBI (30 days of issue of shares)	Date of Submission of FC-GPR to RBI	Delay (in days) [Excluding mandated period of 30 days]
1	7,47,36,106.75	25.05.11	24.06.11	19.05.12	330 D
2	1,00,99,425.00	25.05.11	24.06.11	19.05.12	330 D
3	25,00,000.00	11.10.11	10.11.11	05.06.15	1303 D
4	4,73,82,263.5	14.04.12	14.05.12	16.07.13	428 D
5	4,24,04,625.00	09.03.12	08.04.12	3.01.13	270 D
6	50,000.00	09.03.12	08.04.12	05.06.15	1153 D
7	62,03,000.00	26.10.12	25.11.12	09.10.13	318 D
8	68,30,313.00	06.08.13	05.09.13	30.09.13	25 D
	19,02,05,733.25				

The applicant reported the allotment of shares to Reserve Bank with delay ranging **from 25 to 1303 days**. The delay in reporting to Reserve Bank of India in form FCGPR, beyond the prescribed period in respect of allotment of the above shares is in contravention of paragraph 9(1) (B) of Schedule 1 to FEMA Notification No.20/2000RB dated May 3, 2000, in terms of which an Indian company issuing shares in accordance with these regulations has to submit to Reserve Bank of India a report in Form FCGPR along with documents prescribed therein within 30 days from the date of issue of shares to a person resident outside India.



4. The applicant company issued shares for the undermentioned remittances with delay as under:

S N	Date of Inflow	Amount in Rs.	Shares Issued On	Delay in issue of shares beyond 180 days
1	17.01.08	622400.00	25.05.11	1044 D
	06.02.08	627360.00		
	05.03.08	1795950.00		
	11.04.08	513370.00		
	02.05.08	120450.00		
	11.06.08	1061750.00		
	04.09.08	1100500.00		
	26.09.08	2286000.00		
	10.10.08	7173000.00		
	17.10.08	24050000.00		
	03.11.08	12125000.00		
	29.05.09	9384826.75		
	20.09.09	2471000.00		
29.01.10	4584000.00			
23.02.10	6820500.00			
	Sub Total	74736106.75		
2	29.01.07	3995540.00	25.05.11	1397 days
	29.01.07	3885.00		
	01.10.07	700000.00		
	08.10.07	300000.00		
	02.11.07	500000.00		
	07.12.07	400000.00		
	18.12.07	200000.00		
	01.01.08	4000000.00		
	Sub Total	10099425.00		
3	08.09.04	1700000.00	11.10.11	2409 days
	08.11.04	500000.00		



	Sub Total	2200000.00		
4	30.12.04	350000.00	09.03.12	2446 days
5	19.01.11	11219625.00	09.03.12	235 days
	22.03.11	31185000.00		
	Sub Total	42404625.00		
	Grand Total	12,97,90,156.75		

The applicant issued the shares after receipt of the inflows with delay ranging **from 235 to 2446 days**. The delay in issuance of shares, beyond the prescribed period is in contravention of paragraph 8 of Schedule 1 to FEMA Notification No. 20/ 2000RB dated May 3, 2000, in terms of which an Indian company in accordance with these regulations has to issue the shares within 180 days from the date of receipt of the amount of consideration.

5. The applicant was given an opportunity for personal hearing vide letter No.एफ.ई.सी.जी./ एफ.आई.डी./ 322/ 03.01.251/ 2017-18 dated October 18, 2017 for further submission in person and/or producing documents, if any, in support of the application. Shri Harnawab Sandhu, Director and Shri Ajay Sandhu, Senior Manager F & A of M/s Start Up Farms IT Pvt. Ltd. appeared for the personal hearing on November 09, 2017. During the personal hearing, the representatives of the applicant admitted the contraventions committed by them for which they have sought compounding. The representative submitted that the contraventions were due to lack of awareness of the procedural requirements and were not intentional and have requested for taking a lenient view in the matter. The application is, therefore, being considered on the basis of the averments made in the application, and documents produced.

6. I have given my careful consideration to the documents on record and submissions made by the applicant. Accordingly, I hold that the applicant has contravened the following FEMA provisions:



(a) Paragraph 9 (1) (B) of schedule 1 to Notification No. FEMA 20/2000-RB due to delay in submission of Form FCGPR to Reserve Bank after issue of shares to persons resident outside India as detailed in paragraph 3 above. The contravention relates to an amount of Rs. **19,02,05,733.25** with delay ranging **from 25 to 1303 days**.

(b) Paragraph 8 of schedule 1 to Notification No. FEMA 20/2000-RB due to delay in issuance of shares as detailed in paragraph 4 above. The contravention relates to an amount of **Rs. 12,97,90,156.75** with delay ranging **from 235 to 2446 days**.

7. In terms of Section 13 of FEMA, any person contravening any provision of the Act shall be liable to a penalty up to thrice the sum involved in such contravention upon adjudication. However, taking into account the relevant facts and circumstances of the case as stated in the foregoing paragraphs, I am persuaded to take a lenient view on the amount for which the contravention is to be compounded and I consider that an amount of **Rs. 8,25,196.00 (Rupees Eight Lac Twenty Five Thousand One Hundred Ninety Six only)** will meet the ends of justice.

8. Accordingly, in terms of the Foreign Exchange (Compounding Proceedings) Rules, 2000, I compound the admitted contraventions committed by the applicant namely, Para 9(1) (B) and Para 8 of schedule 1 to Notification No. FEMA 20/2000RB dated May 3, 2000 on the facts discussed above, on payment of an amount of **Rs. 8,25,196.00 (Rupees Eight Lac Twenty Five Thousand One Hundred Ninety Six only)** which shall be deposited by the applicant with the Reserve Bank of India, Foreign Exchange Department, Central Vista, Sector 17, Chandigarh-160017 by a demand draft drawn in favour of the "Reserve Bank of India" and payable at "Chandigarh" **within a period of 15 days from the date of this order**.

In case of failure to deposit the compounded amount within the above mentioned period, Rule 10 of the Foreign Exchange (Compounding Proceedings) Rules, 2000 dated May 3, 2000 shall apply.



The application is disposed of accordingly.

Dated this the 9th day of November 2017.

Sd/-

Nirmal Chand

Regional Director